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ORIGIN ARA-02

INFO OCT-01 ISO-00 /003 R

66650

DRATED BY:ARA/LA:PJDEVOS

APPROVED BY:ARA/LA:PJDEVOS

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P 281490Z JUN 74

FM SECSTATE WASHDC

TO AMEMBASSY BRASILIA PRIORITY

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FOR DEPUTY ASSISTANT SECRETARY WILLIAM G BOWDLER

FOLLOWING REPEAT BUENOS AIRES 4775 ACTION STATE JUNE 27, 1974

C O N F I D E N T I A L

QUOTE LIMITED OFFICIAL USE BUENOS AIRES 4775

E.O. 11652: N/A

TAGS: ETRD, AR

SUBJECT: COUNTERVAILING DUTY PROCEEDINGS: ARGENTINE FOOTWEAR

REF: A. BUENOS AIRES 4765, B. BUENOS AIRES 4681

1. SHORTLY FOLLOWING DRAFTING OF REFTEL A, EMBOFF WAS CALLED ON TELEPHONE BY UNDERSECRETARY FOR INTERNATIONAL ECONOMIC RELATIONS IN FOREIGN MINISTRY, AMB BECKMANN WHO, AFTER INTRODUCTORY REMARKS, TURNED PHONE OVER TO MINISTER JUAN FIGUERERO. FIGUERERO REPORTED HE HAS SPOKEN THIS MORNING AT LENGTH, BOTH WITH AMBASSADOR ORFILA AND UNDERSECRETARY FOR FOREIGN COMMERCE HERE, FERNANDO LLERENA, TETTAMANTI'S DEPUTY, ON SUBJECT. MAIN POINTS MADE BY FIGUERERO WERE AS FOLLOWS:

A. LLERENA HAS CONFIRMED THERE IS NO CHANGE OF POSITION IN MINECON AND NO TEAM BEING SENT NOW. GOA CONSIDERS INVESTIGATION
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AS SIMILAR TO SITUATION OF ANY PUBLIC PROSECUTOR WHO

WISHES TO MAKE SURE HE HAS STRONG CASE BEFORE PROCEEDING TO COURT. EMBOFF SAID THAT, ON CONTRARY, INFORMAL DISCUSSIONS THAT MIGHT HAVE BEEN HELD IN BUENOS AIRES OR WASHINGTON BEFORE ANY PROCEEDINGS NOTICE WOULD HAVE 1) ALLOWED TREASURY TO SHOW THAT IT WAS ACTIVE IN CASE BEFORE BEING FORCED TO TAKE ACTION IN RESPONSE US COURT ORDER; AND 2) INVESTIGATIONS MADE BY TREASURY HAD AS FIRST PURPOSE TO DETERMINE WHETHER GRANTS AND BOUNTIES DID, IN FACT, EXIST AND, SECONDLY, TO DETERMINE THEIR LEVEL IN PRACTICE. EMBOFF SAID THESE PROCEDURES OFTEN TURNED UP INFORMATION HELPFUL IN SHOWING EFFECTIVE SUBSIDIZATION WAS AT LOWER LEVEL THAN ALLEGED BY US INDUSTRY CLAIMING INJURY AND COULD SHOW HOW MODEST CHANGES IN INCENTIVE SYSTEM WOULD DIMINISH OVERALL PROBLEM. FIGUERERO REPLIED APPROPRIATE GOA OFFICIALS AWARE THAT TREASURY WAS SEEKING AVOID FALLING UNDER US COURT ORDER BY INITIATING INFORMAL INVESTIGATION IN EARLY JUNE BUT HAVE BELIEVED GOA HAD LITTLE TO GAIN BY COOPERATING WITH TREASURY.

B. HIGH GOA OFFICIALS, INCLUDING AMB ORFILA, ARE CONVINCED THAT USG STILL HAS ROOM TO MAKE POLITICAL DECISION TO DELAY ISSUANCE COUNTERVAILING DUTY PROCEEDING NOTICE. GOA HOPES THAT USG WILL USE THIS DISCRETION AND NOT GO BEYOND POINT OF NO RETURN AT PRESENT TIME. FIGUERERO NOTED THAT GOA OFFICIALS BELIEVE USG ACTION NOW, AT END OF LONG PERIOD WHEN COUNTERVAILING DUTY ACTION OBLIGATORY AND ON EVE OF ANTICIPATED PASSAGE TRA WHICH MAY GIVE US ADMINISTRATION DISCRETIONARY AUTHORITY IN SUCH CASES, WOULD BE DEEMED UNFRIENDLY OR UNCOOPERATIVE ACTION BY USG. ECOM COUNSELOR CALLED ATTENTION TO THAT THAT (HOW) TREASURY NOW USES THE DISCRETION IT HOLDS IN SUCH CASES CAN HAVE IMPORTANT BEARING UPON WHETHER NEW TRA WILL, IN FACT, ALLOW DISCRETION IN FUTURE. FIGUERERO INDICATED THAT THIS FACTOR HAS PROBABLY NOT RECEIVED MUCH ATTENTION AMONG ARGENTINES. HOWEVER, HE WENT ON TO ARGUE AS FOLLOWS.

C. IT WILL BE MOST UNFORTUNATE IF USG NOW MOVES TOWARD COUNTERVAILING DUTIES ON ARGENTINE FOOTWEAR BECAUSE SUCH ACTION, IN EYES GOA AND, HE SAID, ALSO IN EYES MAJORITY LAS, WILL BE IN STRONG JUXTAPOSITION TO INDICATIONS GIVEN BY SECRETARY KISSINGER THAT A DIFFERENTIAL TREATMENT ON ECONOMIC AND COMMERCIAL MATTERS CONCEIVABLE FOR LAS. FIGUERERO LIMITED OFFICIAL USE

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MADE REFERENCE TO JOINING LA DOCUMENT ON TRADE WHICH HE SAID WAS DELIVERED TO SECRETARY DURING MFM MEETINGS IN WASHINGTON IN APRIL. HE CLAIMED ALSO THAT EBERLE GROUP, WHICH TOURED LA RECENTLY, HAD GIVEN GOA AND OTHER LAS TO UNDERSTAND THAT A DIFFERENTIAL TYPE OF TREATMENT IN TRADE MATTERS FAVORING LAS COULD BE DEVELOPED. THEREFORE, FIGUERERO ARGUED THAT COUNTERVAILING DUTY ACTION BY US AFFECTING ARGENTINA AND OTHER LAS NOW OR IN NEAR FUTURE WOULD TEND TO DESTROY CREDIBILITY

US SPOKESMEN AND DO IRREPARABLE, SERIOUS DAMAGE TO PROSPECTS FOR FRUITFUL DIALOGUE BETWEEN US AND LAS.

D. FIGUERERO ENDED BY STATING HE HAD ONLY RECENTLY BECOME INVOLVED IN THIS MATTER UPON RETURN TO DUTY, FROM SPECIAL ASSIGNMENTS ON OTHER SUBJECTS, WITH UNDERSECRETARY BECKMANN.

(DEPARTMENT WILL REALIZE, BECAUSE MANY THERE KNOW FIGUERERO WELL, AS DOES EMBASSY, THAT DUE TO HIS EXPERIENCE IN TRADE AND ECONOMIC MATTERS, WHICH FAR EXCEEDS THAT OF HIS SUPERIOR, THE UNDERSECRETARY, HE IS A KEY MAN IN FOREIGN MINISTRY ON THIS AND SIMILAR PROBLEMS.) FIGUERERO STATED THAT FOLLOWING HIS RECENT INVESTIGATIONS OF STATUS OF THIS PROBLEM HE HAS BECOME VERY ALARMED OVER POSSIBLE IMPACT ON BILATERAL RELATIONS AS WELL AS IMPACT FOR FUTURE MFM PROGRESS. HE STATED HE FELT REACTION IN ARGENTINA TO COUNTERVAILING DUTY PROCEEDING NOTICE WOULD BE SHARP AND STRONG. MORE CAUTIOUSLY THAN DID MINECON'S MELERO DURING MEETING IN EARLY JUNE WITH TREASURY'S IRVIN, FIGUERERO INDICATED SOME TYPE OF ARGENTINE RETALIATORY ACTION WOULD PROBABLY STEM FROM US COUNTERVAILING DUTY PROCEEDINGS WHEN THESE REACHED FORMAL OR PUBLIC STAGE.

E. FIGUERERO ALSO REPEATED THE STANDARD ARGUMENTS ONE WOULD EXPECT FROM ARGENTINA, I.E., GOA PUSHING EXPORT DRIVE TO ASSIST DEVELOPMENT WHICH IS A US-APPROVED OBJECTIVE FOR ARGENTINA AND OTHER LDC'S; ARGENTINA, LIKE OTHER LDC'S, DOES NOT HAVE LATITUDE FOR TRADE INCENTIVE AND PROMOTION AVAILABLE TO LDC'S AND MUST RESORT TO SUBSIDIES IF IT IS TO GET FOOT IN DOOR OF EXPORT MARKET; INDUSTRY REQUIRES TIME TO REACH AGENCY NECESSARY TO COMPETE IN WORLD MARKETS. US CALLS FOR GOA AND LDC'S MAKE STRONG EFFORT INCREASE AND DIVERSIFY EXPORTS BUT SLAMS DOOR ON FIRST SUCCESSES IN PENETRATING US MARKET; US DRIVING GOA AND OTHER INTO TRADE LIMITED OFFICIAL USE

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WITH EASTERN BLOC TO DEGREE WHICH GOA OR OTHER LAS MIGHT NOT OTHERWISE CHOOSE, ETC.

2. COMMENT. FIGUERERO AND BECKMANN WERE OBVIOUSLY SPEAKING TO EMBASSY ON EVE OF CRISIS SITUATION IN EFFORT SECURE EMBASSY'S ASSISTANCE IN DIVERTING OR DELAYING WASHINGTON TREASURY ACTION. WE PRESUME AMB ORFILA WILL BE SPEAKING TO STATE AND TREASURY OFFICIALS ALONG THESE LINES. EMBASSY, OF COURSE, IS NOT AWARE IN DETAIL OF LATITUDE WHICH USG NOW HAS TO DELAY CARRYING COUNTERVAILING DUTY INVESTIGATION TO FORMAL ISSUANCE OF PROCEEDINGS NOTICE. WE HAVE NO REASON TO DOUBT INDICATIONS GIVEN BY MINECON AND FORMIN OFFICIALS THAT PRESSURES WILL BUILD UP IN ARGENTINA FOR SOME TYPE OF RETALIATORY ACTION AGAINST US INVESTMENT AND TRADE INTERESTS. EMBASSY BELIEVES FORMAL US ACTION AND ATTENDANT PUBLICITY,

AS USED BY MINECON AND NATIONALIST ELEMENTS, WILL DO SERIOUS
DAMAGE TO GENERAL BILATERAL RELATIONS. WE CANNOT PREDICT
WHAT SPECIFIC ACTION MAY BE TAKEN WHICH WOULD DISCRIMINATE
AGAINST US TRADE OR HOW GOA WOULD CHOOSE TO MOVE ADDITIONALLY
AGAINST US INVESTMENT INTERESTS WHICH ARE NOW PLAGUED LIKE
OTHER LARGE FOREIGN COMPANIES AND EVEN LARGE LOCAL BUSINESSES BY
GROWING NATIONALISM EVIDENCED IN LAWS AND REGULATIONS
AFFECTING FOREIGN FIRMS AND GENERAL ECONOMIC POLICY.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: COUNTERVAILING DUTIES, SHOES, TRADE COMPLAINTS, EXPORT SUBSIDIES, DIPLOMATIC DISCUSSIONS, FOREIGN POLICY POSITION, INVESTIGATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 28 JUN 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: WorrelSW
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974STATE139926
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740171-1163
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t1974063/aaaaacit.tel
Line Count: 178
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: A. BUENOS AIRES 4765, B. BUENOS AIRE, S 4681
Review Action: RELEASED, APPROVED
Review Authority: WorrelSW
Review Comment: n/a
Review Content Flags:
Review Date: 05 SEP 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <05 SEP 2002 by boyleja>; APPROVED <05 MAR 2003 by WorrelSW>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: COUNTERVAILING DUTY PROCEEDINGS: ARGENTINE FOOTWEAR
TAGS: ETRD, AR, US, (LLERENA, FERNANDO), (FIGUERERO, JUAN), (BECKMANN)
To: BRASILIA
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005